



Department of

Children's Services

Maintaining Credit

Helping Explain Credit to Youth

What You Will Learn

- Why DCS is obtaining credit reports for youth.
- Understanding your own credit history and issues.
- Understand how to explain good credit to youth.
 - How to build and maintain good scores.
- How DCS is adhering to current regulations regarding youth credit reports.
- Documenting youth engagement.
- Where to get credit reports and additional information.



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**Why DCS is obtaining
credit reports for
youth**

Overview

- Every year, across the US, more than 26,000 young people age out of foster care, many with no permanent home and no parent to help them navigate the road to adulthood.
- For some young people, stolen identities and bad credit pose yet another obstacle on the road to independence.
- For youth who have faced years of instability and uncertainty, bad credit stands in the way of some basic life activities, such as renting an apartment, buying a car, getting a job, having a bank account or securing student loans.

Federal Law

- Federal law states that youth in foster care who have attained 14 years of age must receive, without cost, a copy of any consumer report. Therefore, to be in compliance with this requirement, TN DCS must have a copy of the credit report, if one exists, from each of the three main credit reporting agencies (CRAs): TransUnion, Equifax, and Experian.
- Federal law requires that each child age 14 and older in foster care receive a copy of any consumer credit report annually until discharged from foster care, and must receive assistance interpreting the credit report and resolving any inaccuracies (section 475(5)(I) of the Act).

Should youth in foster care have credit?

- No, minor children do not usually have the legal capacity to sign a contract or apply for credit on their own, so most children and youth do not have credit reports.
- Therefore, if a credit report does exist for a person younger than 18, whether in foster care or not, it may be due to error, fraud or identity theft.
- The credit reporting agencies will not knowingly disclose credit report information for a minor, except to a parent, guardian or custodian of the child.



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Understanding your own credit history and issues

Understanding your own credit

- For adults to teach young people to understand credit, they should first have a handle on factual information about credit reporting and identity theft.
- Too often, adults have their own credit woes, and their experience—good or bad—can impact how they work with young people.
- Before stepping in to help, adults should take some basic steps to educate themselves about credit issues and examine their own credit history.



Understanding your own credit

- Learn about the Fair Credit Reporting Act.
 - This act requires each of the major credit reporting agencies — Equifax, Experian and TransUnion—to provide a free copy of your credit report, at your request, every 12 months. The Federal Trade Commission (FTC) and the Consumer Financial Protection Bureau enforce this law.
- Request a credit report.
 - If you have not already done so, the easiest way to access your credit reports for free is through www.annualcreditreport.com, which allows you to save a PDF for your records.
 - You should also review your credit score, which can help you see how lenders view your creditworthiness. There is a fee associated with checking your credit score, and the score you purchase from a consumer credit report on www.annualcreditreport.com may be slightly different from the score a business (i.e., a lender or a rental, credit card, utility or phone company) might see if you are taking out a loan or trying to obtain credit or other services.

Understanding your own credit

- Learn about identity theft.
 - Identity theft occurs when someone pretends to be another person, using his or her name, Social Security number, birth date, address or other identifying information. Credit identity theft occurs when someone uses another person's Social Security number, name or credit card information to spend and borrow money. Misusing someone's identity often involves a combination of personal information, e.g., an individual's Social Security number with a birth date.
- Take steps to protect your identity.
 - Basic precautions can help you avoid being a victim of identity theft.

Understanding your own credit

- Reflect on your experience with credit and identity theft.
 - Consider your own approach to credit and financial issues.
 - How knowledgeable are you about money and credit? Have you ever had your identity stolen, and if so, how was it resolved?
 - Your attitude and behaviors toward credit and identity theft impact how you work with young people. Regardless of your experience, it's important to approach young people's financial education and empowerment in an unbiased way.





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**Understand how to
explain good credit to
youth**

TN DCS Policy 3.25

- To provide guidelines and procedures for accessing credit reports on all youth who turns 14 years of age in State custody.
- 9.4 Confidential Child-Specific Information
- Records Disposition Authority (RDA)
- Uniform Minor's Status Declaration
- Identity Theft Tip Sheet
- Keys to your Financial Future. DCS and Jim Casey Youth Opportunity. Retrieved August 18, 2015 from <https://www.tn.gov/assets/entities/dcs/attachments/Credit+Check+Training+7.30.15.pdf>

Helping explain credit to youth

- Helping young people in the United States become financially literate continues to be a challenge.
- Youth in foster care are at a particular disadvantage, given that many tend to come from low-income households. Personal financial information is often overlooked as young people deal with multiple issues ranging from adjusting to new homes and adults, changing social situations and schools, and dealing with the trauma of separation from their neighborhoods and family members.

The importance of credit

- A clean credit history is the first step toward a lifetime of financial health.
- Credit is not just about credit cards. Utility, phone and medical bills, student loans, mortgages and any other situation in which you are obligated to pay a person or institution all contribute to your credit rating.
- It's important to have a basic understanding of credit cards. Education about fees, annual percentage rates and paying off balances can help steer young people away from unnecessary costs and products that don't match their lifestyle or spending habits.

The importance of credit

- Credit reports and the credit scores derived from them are the primary information sources that will determine the credit youth are able to access (i.e., how large of a loan they can take out and the interest rate on that loan), as well as their eligibility for housing and some employment opportunities.



Maintaining good credit

- Review your credit reports every year:
 - Be sure to print out or order your reports from all three credit reporting agencies—Equifax, TransUnion and Experian.
- Correct any errors:
 - You are the only one who can do this for yourself once you are age 18. It is your responsibility to make sure the information in your credit reports—all three of them—is accurate.
- Pay all of your bills on time and in full every month.
- Never use more than 30% of your credit limit.
 - If possible, diversify your credit: Have a credit card and a credit building loan. This shows you can handle both kinds of credit—revolving credit and installment credit. Avoid applying for too many credit cards at one time: Every inquiry is reported on your credit report. And applying for multiple credit cards can make it appear like you are looking for quick money.
- If you are going to be late with any bills, contact your creditor immediately.
 - They may be willing to work with you—letting you make two small payments within a billing cycle or letting you pay interest only for one month.

The threat of identity theft

- Youth in foster care are especially vulnerable to identity theft because of their mobility while in care and the frequency with which they must give out important identifying information. Numerous adults have access to Social Security numbers for youth in foster care, including biological parents, kin, foster parents, caseworkers, and providers. Hard copy files with identifying information are not always as secure as they should be, and the fact that youth move frequently from place to place makes their information even more difficult to contain.
- Helping youth understand the importance of securing identifying information is critical to preventing identity theft.

How to protect identity from theft

- Be careful about sharing personal information with others.
 - Young people should understand the importance of protecting their Social Security number, birth date and address.
 - They should not share this information with anyone they do not know and trust, nor should they share it with family members who are dealing with complex issues such as debt or drug and alcohol abuse.



How to protect identity from theft

- Protect important documents.
 - Young people should keep documents such as Social Security cards and birth certificates in a locked box or safe drawer wherever they live.
 - While they should always carry some form of identification, such as a school ID or driver's license, they should not carry unnecessary ones, such as a passport, unless they need it.
 - Most importantly, they should avoid carrying their Social Security card whenever possible.

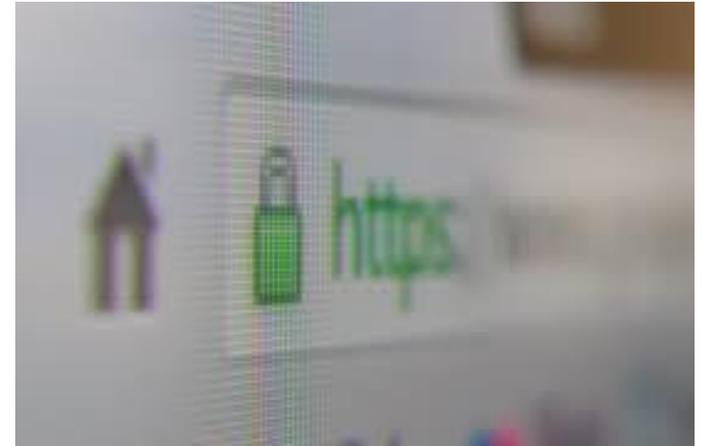


How to protect identity from theft

- Shred all documents containing personal information before disposing of them.
 - If they do not have access to a shredder, youth can cut or tear up such documents by hand to ensure that names, addresses, birth dates and other information are not accessible to identity thieves.
- Beware of sellers of fake IDs.
 - These individuals can misuse information shared with them and are sometimes part of criminal gangs. Young people should know that when they buy a fake ID, their identities may be in jeopardy.

How to protect identity from theft

- Practice online safety.
 - Before sharing information online, youth should know who they are sharing it with and should only provide their identifying information through secure connections. A secure website has a lock icon in the address bar and a URL that begins with `https://`.
- Young people can also protect themselves online by following some simple guidelines:
 - Use strong passwords, ideally with at least eight characters that include numbers and symbols. Never store a password on a computer or allow a site to recognize it every time they log in.
 - Use a computer with updated antivirus and firewall protection. Be careful about sharing files through peer-to-peer software. Watch out for phishing scams.





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**How DCS is adhering to
current regulations
regarding youth credit
reports**

How DCS is helping youth maintain credit

- Central Office Independent Living (IL) personnel are pulling credit reports for all youth ages 14-17.
- Youth should not have credit. If a youth has credit, the credit report is reviewed and any discrepancies are noted.
- The Regional Administrator (RA) as well as Family Service Worker (FSW) will be notified of youth that have credit.
- Central Office IL personnel will dispute the credit information on behalf of the youth.
- FSWs may be contacted to provide the below documents to help dispute the credit finding:
 - UNIFORM MINOR'S STATUS DECLARATION
 - Custody Court order
 - Social Security card
 - Birth Certificate

Family Services Worker tasks

- Discuss credit and identity theft with all youth age 14 and over.
- Note in TFACTS (case recording) dates of discussion about what credit is and how to interpret the reports.
- Provide the opportunity to educate young people in foster care about the importance of credit as a financial asset and essential building block for lifelong financial wellbeing
- Assist Central Office Independent Living personnel with completion of The Uniform Minor Status of Declaration form, and gathering birth certificate, social security card and court order information as requested during the dispute process.
- If notified that a youth has credit, document that information in TFACTS.
- Document in TFACTS (case recording) the resolution of any inaccuracies and remediation of credit issues, and recording of the dates of remediation.



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Documenting youth engagement

Documentation of credit discussions

- FSWs must ensure they document in the permanency plan (Life Skills section) and transition plan (Financial section) that they have discussed credit and the youth's credit report history.



Documenting youth engagement

- What is the concern?
 - Youth does not have knowledge about credit, credit reports, and the way credit affects financial stability.
 - How this may jeopardize the ability to build good credit and result in financial difficulties.
- What is the desired outcome?
 - Youth will demonstrate knowledge about credit, credit reports, and the way credit affects financial stability by discussing ways to build good credit, avoid engaging in activities that cause financial problems and bad credit, and how to complete a credit report request.
- What are the action steps?
 - Youth will review credit check tip sheet, Keys to Financial Future training and have access to this PowerPoint. The results of these actions will be noted as a case recording in TFACTS. (Be sure to include who is providing the training to the youth and the time frame for completion.)



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**Where to get credit
reports for youth over**

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Youth receiving Extension of Foster Care Services (EFCS)

- Youth 18 and older can order their own credit reports for free from www.annualcreditreport.com, but they may need your advice and encouragement to do so. This is a good opportunity for you to share some of the resources about credit reporting and to help them understand the role of credit reporting agencies



Credit Reports and Other Information

- www.annualcreditreport.com
 - Adults may request their own reports from the above website.
 - FSWs will not need to request reports for youth under 18. Central Office Independent Living personnel are reviewing those reports.
- Call 1-877-322-8228 for annual credit report.
- Write to:
Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

Additional reference material

- Keys to your Financial Future. DCS and Jim Casey Youth Opportunity. Retrieved August 18, 2015 from <https://www.tn.gov/assets/entities/dcs/attachments/Credit+Check+Training+7.30.15.pdf>
- Youth and Credit, 2013. The Annie E. Casey Foundation. Retrieved August 18, 2015 from https://www.tn.gov/assets/entities/dcs/attachments/Protecting+the+Credit+of+Youth+in+Foster+Care_1.pdf
- <https://www.tn.gov/dcs/article/Maintaining-Credit>
Additional credit report training materials are available at this address.